

Valance Company, Inc.



Weekly

November 9, 2005

III

Highlights

US – Labor Market data mixed (page 2)

Euroland – German Manufacturing remains strong (page 9)

Japan – Businesses and Households remain optimistic (page 15)

UK – Trade deficit decreases due to oil exports (page 21)

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November 3 – November 9 Short Term Interest Rates

Country	Change in BPs		(3Mth. Futures Contracts Yields)			
	Official Rate	3 Mth. LIBOR	Dec-05	Mar-06	Jun-06	Sep-06
US	0.00	0.05	1.50	5.00	6.50	6.50
	4.00	4.33	4.51	4.84	4.96	4.97
EU	0.00	0.04	6.00	9.50	11.00	11.00
	2.00	2.31	2.46	2.69	2.85	2.95
JN	0.00	0.00	-0.50	-1.00	0.50	2.00
	0.00	0.07	0.09	0.17	0.28	0.40
UK	0.00	0.01	3.00	4.00	5.00	5.00
	4.50	4.62	4.63	4.65	4.68	4.73
CA	0.00	0.03	3.00	7.00	9.00	9.00
	3.00	3.26	3.48	3.80	3.97	4.05
AU	0.00	0.02	1.00	6.00	7.00	8.00
	5.50	5.58	5.65	5.72	5.77	5.80
NZ	0.00	0.02	5.00	6.00	7.00	6.00
	7.00	7.40	7.50	7.50	7.40	7.26
SZ	0.00	0.07	1.00	4.00	5.00	5.00
	0.75	0.94	1.08	1.41	1.69	1.89

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Valance Co., Inc.

Valance Economic Report: United States

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November 9, 2005

This week's economic data showed some softness in headline payroll data, a jump in Average Hourly Earnings, and strong gains in productivity. The message from Fed officials continued to highlight the strength and resilience of the economy while keeping a close eye on inflationary pressures. However, Toll Brothers commented that home price growth has started to moderate- this could lead to a decline in mortgage equity extraction and slowdown in the overall economy.

Weekly Highlights

Employment- payrolls increased 56k in October. (page 2)

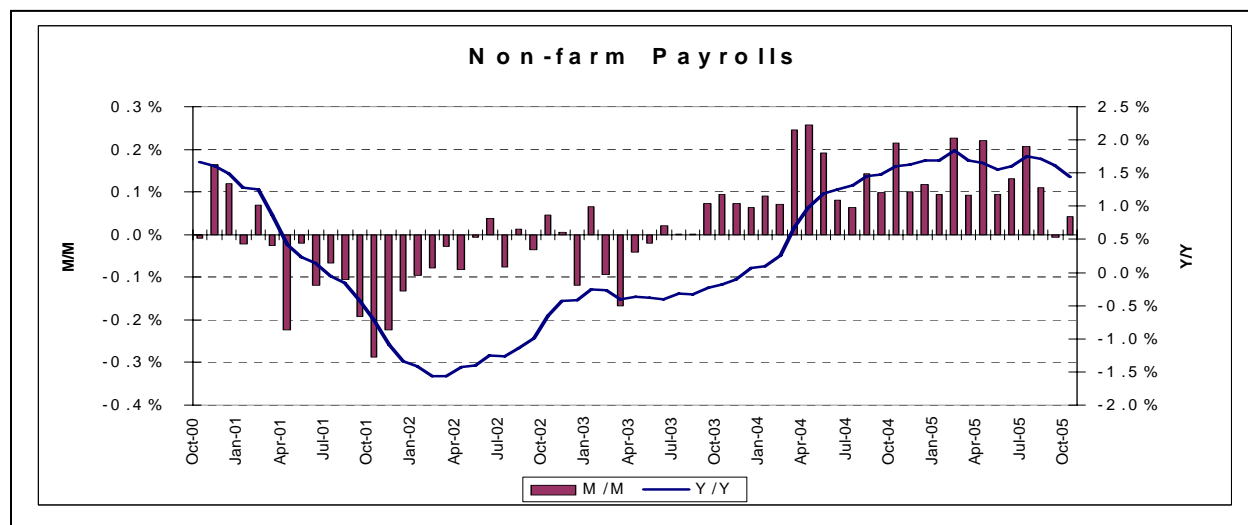
Average Hourly Earnings- increased 0.5% M/M and 2.9% Y/Y in October. (page 4)

Productivity- gained 4.1% on an annualized basis in Q3 2005. (page 2)

Mortgage Purchase Applications- decreased 0.4% Y/Y on a four wk. mvg. avg. basis. (page 5)

Weekly Releases

Chart of the Week: *Non-farm Payrolls*



Non-farm Payrolls increased 56k in October, lower than expected. The BLS also highlighted that outside the areas impacted by the hurricanes, payroll growth was below trend. However, the pre-Katrina trend was quite robust and other payroll details suggest the labor market remains healthy.

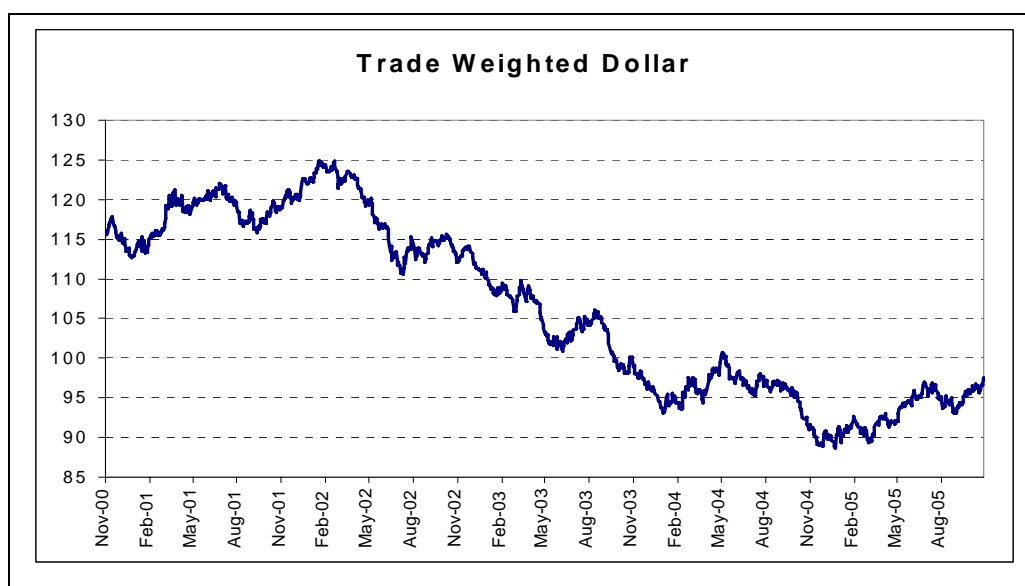
U.S. Financial Balances & Trade Weighted Dollar

Financial Balances

<i>U.S.</i>	<i>Latest period (\$blns)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-50.0 (August)	-2.7%
Trade Balance	-57.9 (July)	-5.5%
Current Account Balance	-195.7 (Q1)	-6.1%
Private Balance	--	-3.4%

The budget deficit is currently at \$328 bln on a trailing twelve month basis and forecasts see the budget deficit increasing to \$400 bln with Katrina related spending in 2006. The larger budget deficit will stimulate the economy in the short-run, but the trade deficit as of July is still 5.5% of GDP, with no clear signs of narrowing quickly. The budget deficit will remain too small to support a robust and sustained expansion, given the size of the current account deficit. As mortgage equity extraction slows and debt service levels increase, fragility in the economy should become more evident.

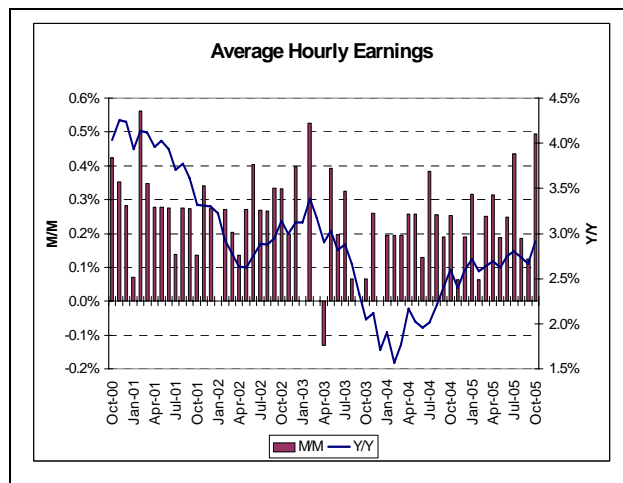
Trade Weighted Dollar



Employment

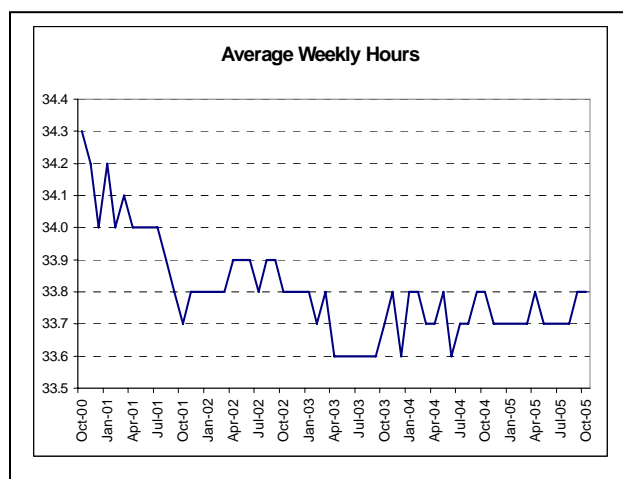
Average Hourly Earnings

Average Hourly Earnings grew 0.5% M/M and 2.9% Y/Y in October. The large monthly increase heightens concerns that upward pressures in wages could lead to higher core inflation.



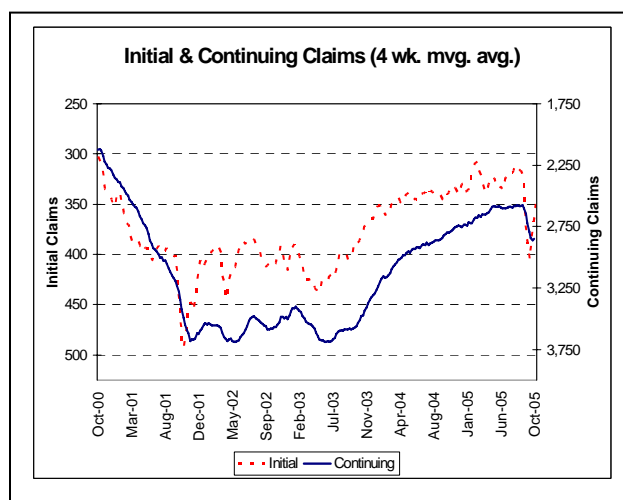
Average Weekly Hours

Average Weekly Hours remained at 33.8 in October. This metric continues to be relatively flat in absolute terms, which suggests that some slack remains in the labor market and productivity gains have allowed for increased production.



Initial & Continuing Claims

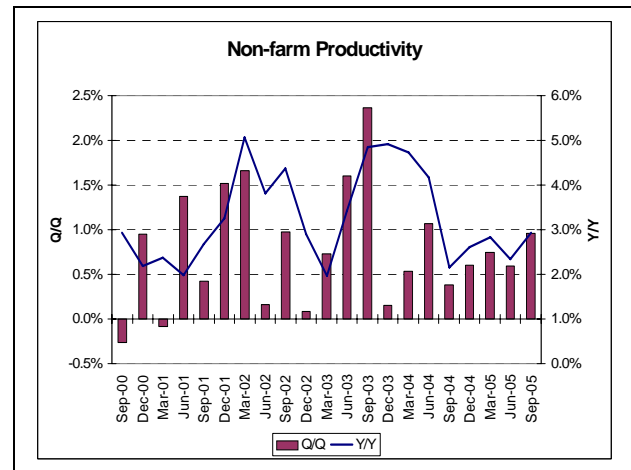
The four week moving average of Initial Claims and Continuing Claims dropped to 351 and 2,853k, respectively. Initial Claims are back to pre-Katrina levels, but Continuing Claims remain at elevated levels.



Non-farm Productivity, Unit Labor Costs & Mort. Apps.

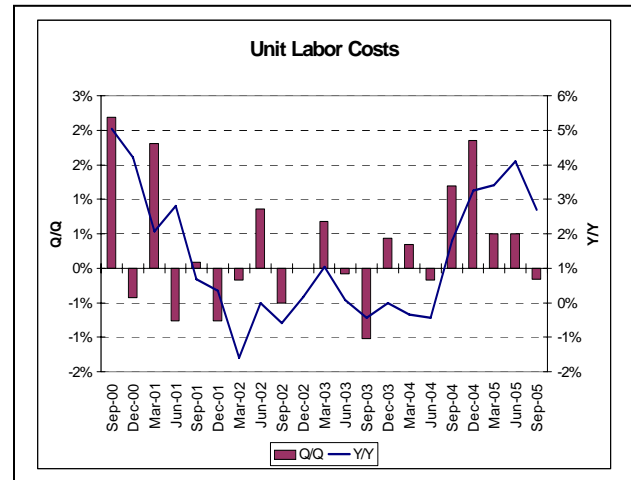
Non-farm Productivity

Non-farm Productivity increased 1.0% Q/Q and 2.9% Y/Y in Q3 of 2005. Productivity growth accelerated and put downward pressure on unit labor costs, possibly easing some of the Fed's concerns about wage pressures building. However, the impact of the hurricanes on the data was not quantified.



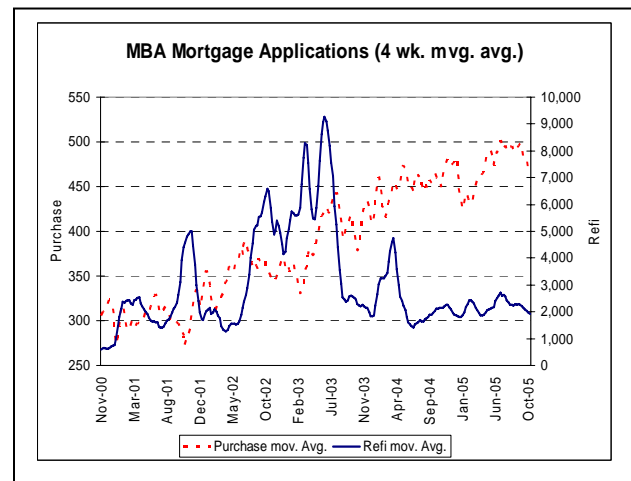
Unit Labor Costs

Unit Labor Costs decreased 0.2% Q/Q and increased 2.7% Y/Y in Q3 of 2005. Productivity and modest wage growth have kept unit labor costs contained. However, Greenspan has commented that the disinflationary pressures of a global labor market should prove to be transitory.



MBA Mortgage Applications

Purchase and refinancing mortgage applications increased 6.4% and decreased 3.4%, respectively, this week. The four-week moving average is now down 0.4% Y/Y.

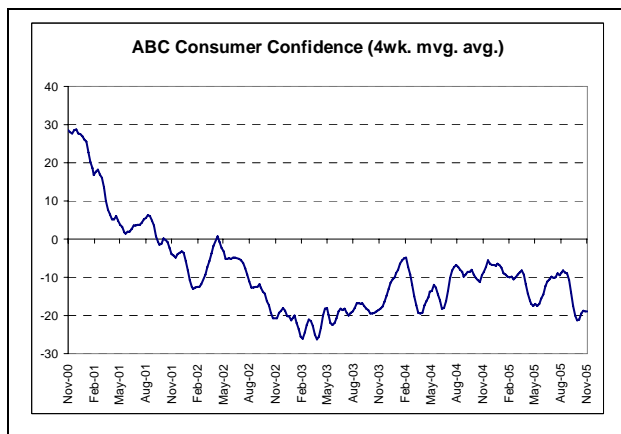


Confidence, ISM & Factory Orders

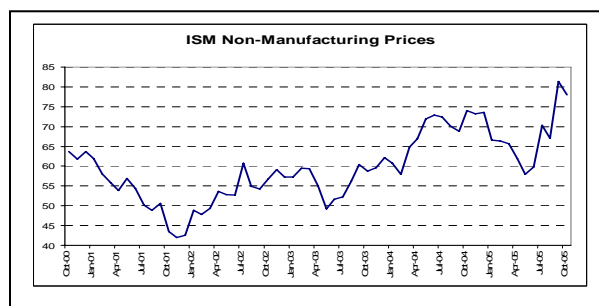
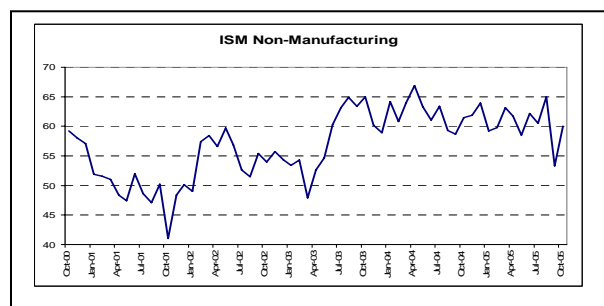
ABC Consumer Confidence

The ABC Consumer Confidence Index improved from -21 to -19.

The economy component remained flat at -34 and the finance component and buying component gained from 10 to 12 and from -38 to -36, respectively.



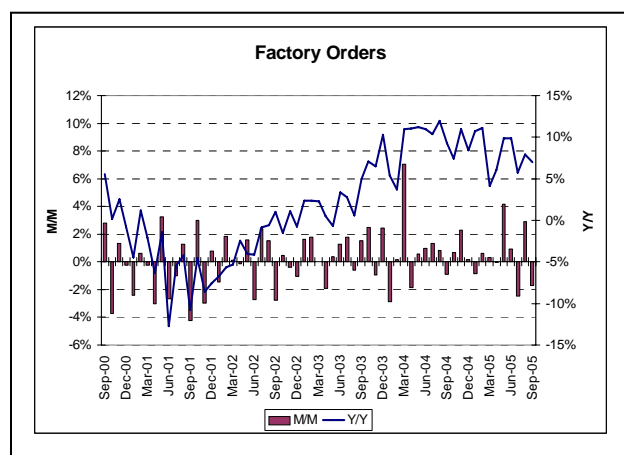
ISM Non-Manufacturing



The ISM Non-Manufacturing Index increased from 53.3 to 60.0 in October. The new orders component dropped from 56.6 to 58.2 and the price component decreased from 81.4 to 78.0, but remained elevated. The employment component also dropped from 54.9 to 52.9.

Factory Orders

Factory Orders decreased 1.9% M/M and increased 7.0% Y/Y in September. Monthly movements have been volatile, but Y/Y growth has been trending lower for over a year.



Fed's Comments

“Of course, given the persistence of high energy prices that the global economy has confronted of late, policymakers cannot be complacent. Central bankers must reinforce their credibility and validate the confidence of market participants by actively leaning against inflationary pressures long before inflation itself builds. Again, the FOMC has done just that through its commitment to adjust policy as required to keep inflation at bay.” –Ferguson

“The longer-term prospects for the U.S. economy remain favorable. Structural productivity continues to grow at a firm pace, and rebuilding activity following the hurricanes should boost real GDP growth for a while. More uncertainty, however, surrounds the outlook for inflation.”
- Greenspan

“Contributing to the disinflationary pressures that have been evident in the global economy over the past decade or more has been the integration of in excess of 100 million educated workers from the former Soviet bloc into the world's open trading system. More recently, and of even greater significance, has been the freeing from central planning of large segments of China's 750 million workforce. The gradual addition of these workers plus workers from India--a country which is also currently undergoing a notable increase in its participation in the world trading system--would approximately double the overall supply of labor once all these workers become fully engaged in competitive world markets. Of course, at current rates of productivity, the half of the world's labor force that has been newly added to the world competitive marketplace is producing no more than one quarter of world output. With increased education and increased absorption of significant cutting-edge technologies, that share will surely rise.” –Greenspan

“But this seminal shift in the world's workforce is producing, in effect, a level adjustment in unit labor costs. To be sure, economic systems evolve from centrally planned to market-based only gradually and, at times, in fits and starts. Thus, this level adjustment is being spread over an extended period. Nevertheless, the suppression of cost growth and world inflation, at some point, will begin to abate and, with the completion of this level adjustment, gradually end.” -Greenspan

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	Trade Balance (SEP)	-\$61.3B	-\$59.0B
11/10	Import Price Index (M/M OCT)	-0.2%	2.3%
11/10	Initial Jobless Claims (NOV 5)	320K	323K
11/10	Continuing Claims (OCT 29)	2850K	2823K
11/10	U. of Michigan Confidence (NOV)	76.0	74.2
11/10	Monthly Budget Statement (OCT)	-\$50.0B	-\$57.3B
11/15	PPI Ex. Food & Energy (Y/Y OCT)	0.2%	0.3%
11/15	Retail Sales Less Autos (OCT)	0.3%	1.1%
11/15	Empire Manufacturing (NOV)	15.0	12.1
11/15	ABC Consumer Confidence (NOV 13)	NA	-19
11/16	Net Foreign Security Purchases (SEP)	NA	\$91.3B
11/16	MBA Mortgage Applications (NOV 11)	NA	2.3%
11/16	NAHB Housing Market Index (NOV)	NA	67

Valance Co., Inc.

Valance Economic Report: Euro Zone

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November 9, 2005

Data releases were very light this past week as we prepare for Q3 GDP numbers to be released over the next few days. Production increased in Germany and Spain while Unemployment continued its modest downward trend. The ECB left rates unchanged at 2% while ratcheting up the hawkish rhetoric once again.

Weekly Highlights

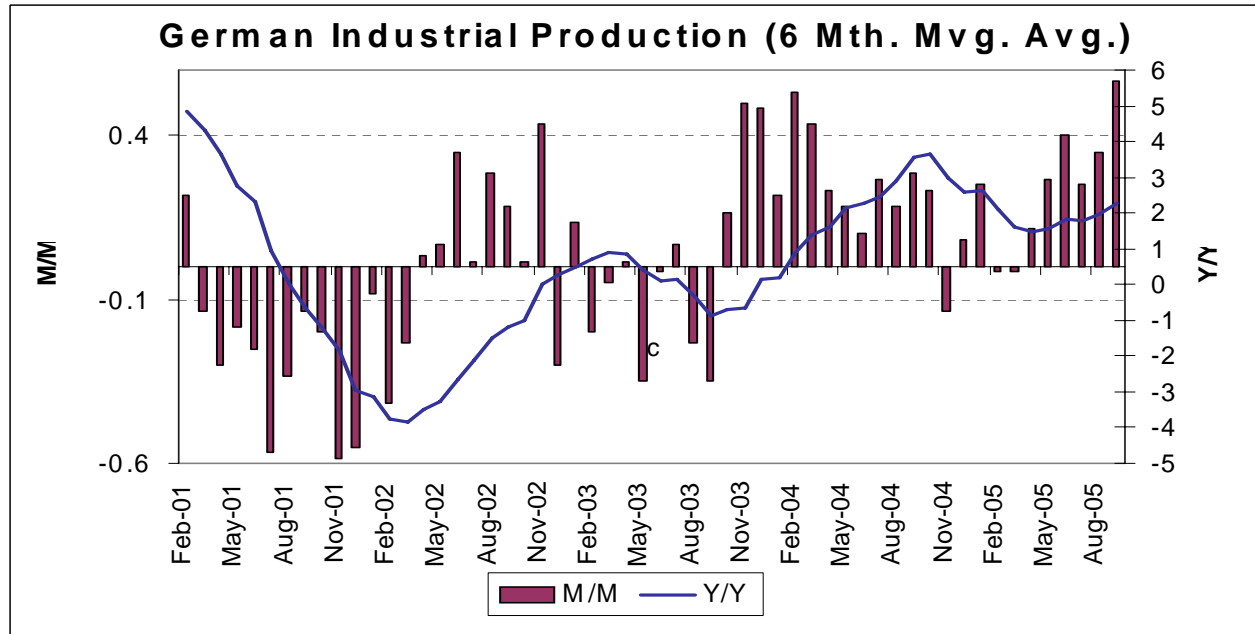
German Industrial Production– Y/Y production accelerated in August. (page 9)

German Exports– expanded 12% Y/Y. (page 11)

Euro Zone Unemployment– declined in September. (page 11)

Weekly Releases & News

Chart of the Week: German Industrial Production



Germany's September Industrial Production increased 1.2% M/M and 3.1% Y/Y after declining M/M in August. Capital Goods Production increased 2.8% M/M while Consumer Goods increased 0.6%.

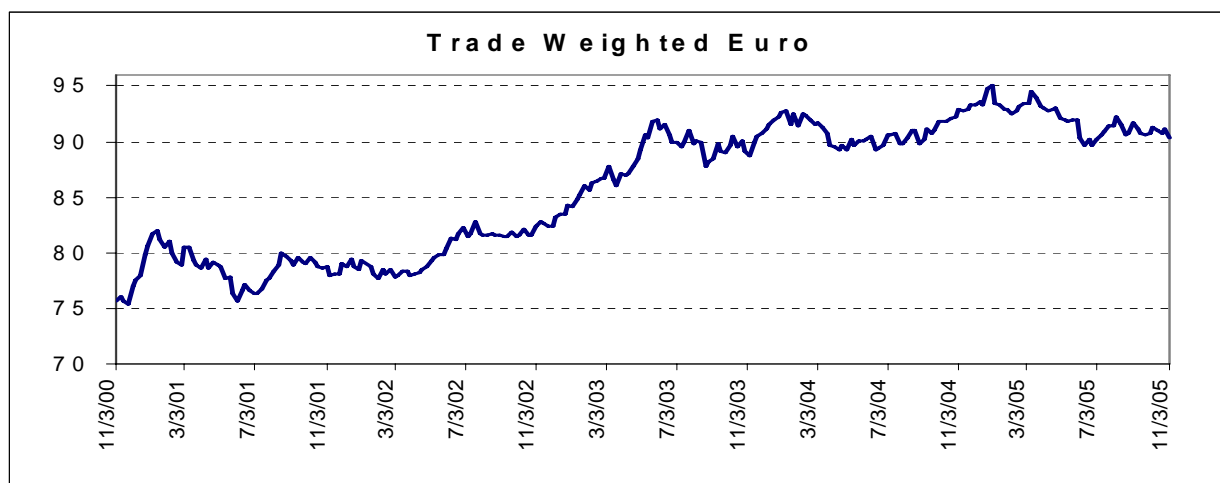
Euro Zone Financial Balances & Trade Weighted Euro

Financial Balances

<i>Germany</i>	<i>Last period (\$blns euros)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-80.3 (12/04)	-3.6%
Trade Balance	12.1 (May)	7.1%
Current Account Balance	5.2 (May)	3.6%
Private Savings Balance	--	7.2%
<i>France</i>		
Budget Balance	-5.15 (May)	-3.4%
Trade Balance	-1.25 (May)	-1.3%
Current Account Balance	-2.87 (May)	-1.0%
Private Savings Balance	--	2.4%
<i>Italy</i>		
Budget Balance	-3.4 (July)	-3.5%
Trade Balance	-0.36 (May)	0.4%
Current Account Balance	-3.2 (May)	1.2%
Private Savings Balance	--	4.7%

Euro area public deficits will most likely overshoot their official targets once again in 2005 as growth this year has proven much weaker than forecasted. Initial 2006 budget drafts also suggest overly optimistic growth forecasts. Citigroup forecasts an average euro area deficit of 3.2% in 2005 and 3.4% in 2006, above the EU's 3% limit.

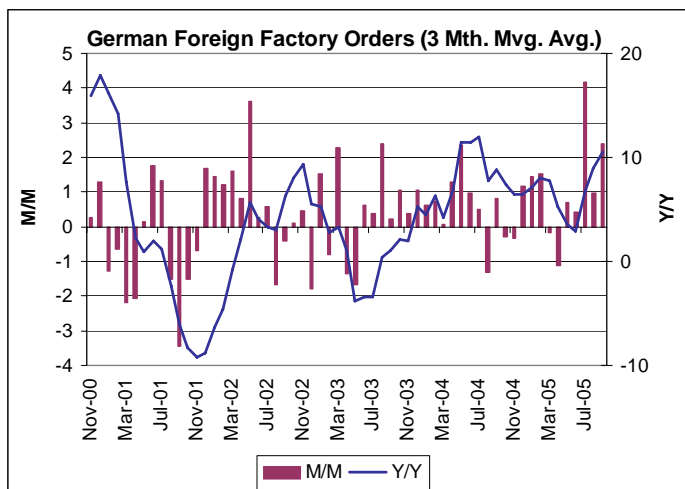
Trade Weighted Euro



German Factory Orders, Exports & Euro Zone Unemployment

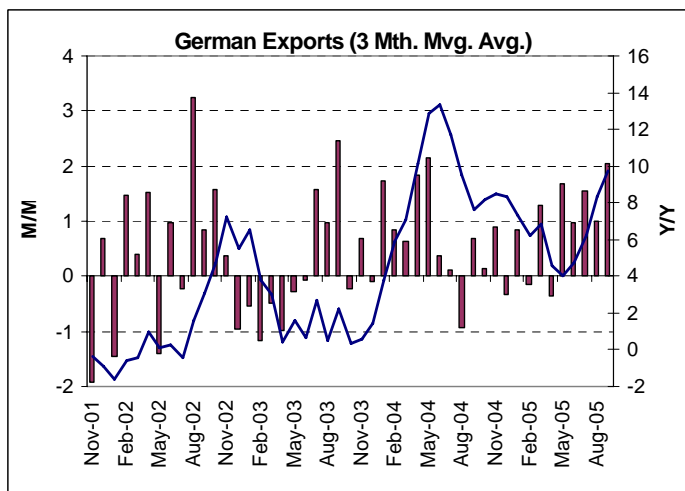
German Factory Orders

German Factory Orders increased more than expected in September, climbing 2.8% M/M and 7.9% Y/Y. The pickup was concentrated in global demand as domestic orders only grew 0.4% M/M.



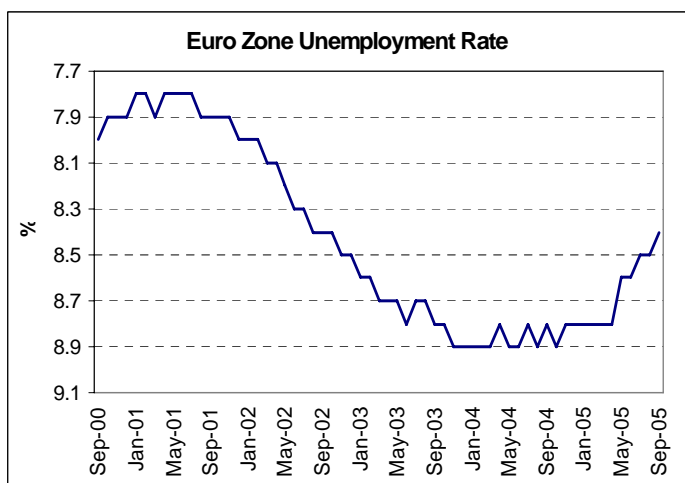
German Trade

Germany's September Exports increased 2.5% M/M and 12% Y/Y. Imports fell 1.2% M/M while increasing 9.7% Y/Y. The Trade Surplus increased from 11.6 bln euros to 15 bln.



Euro Zone Unemployment Rate

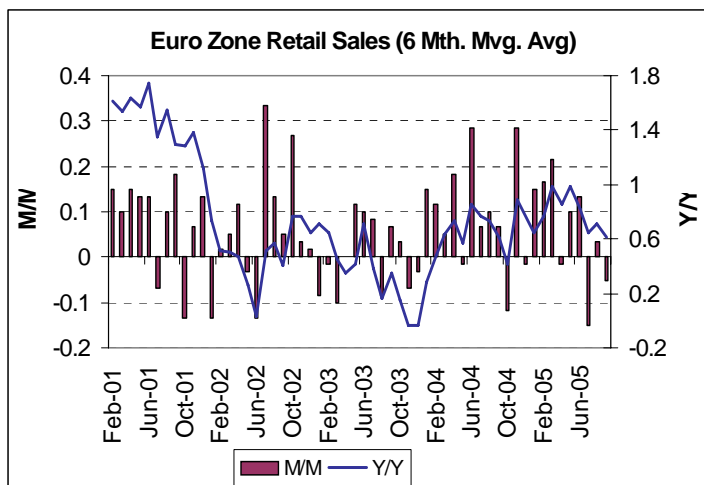
The Euro Zone's September Unemployment Rate fell from 8.5% in August to 8.4%.



Euro Zone Retail Sales, Spanish Output & Unemployment

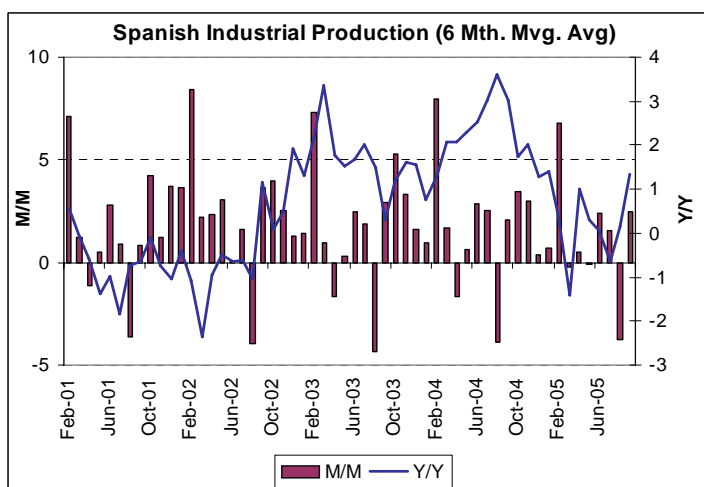
Euro Zone Retail Sales

The Euro Zone's September Retail Sales fell 0.4% M/M while increasing 0.9% Y/Y.



Spanish Industrial Production

Spanish Industrial Production increased in September with the 3mth. mvg. avg. rising 2.5% M/M and 1.3% Y/Y. Energy related production led the increase as consumer goods growth remained weak.



Spanish Unemployment

Unemployment in Spain increased slightly in October as the total unemployed rose by 39,600. The Unemployment Rate likely remained near its September figure of 8.4%.



Euro Zone Services PMI & News

Euro Zone Services PMI

The Euro Zone's October Services PMI rose from 54.7 in September to 54.9. The German Services PMI fell from 56.2 to 55.2, France's PMI rose from 54.9 to 56.6, and Italy's PMI increased from 51.7 to 52.8.

Euro -12 Services PMI:	Oct	Sep	Aug	July	June	May	Apr	Mar	Feb	Jan
Overall:	54.9	54.7	53.4	53.5	53.1	53.5	52.8	53.0	53.0	53.4
Employment:	51.6	51.6	50.8	50.4	50.3	50.6	50.9	51.0	50.6	50.7
New Business:	54.2	54.0	52.5	52.9	52.3	52.6	52.7	51.4	52.0	52.7
Business Expectations:	64.5	63.4	63.3	62.8	63.1	64.4	63.5	67.5	64.3	66.3

News

Nov. 9th – ECB member Axel Weber noted that inflation risks may be rising, stating, “The risks to price stability have increased notably in recent weeks... We have a very abundant supply of liquidity, which signals very strong inflation risks over the medium and long term.” ECB member Nicholas Garganas agreed, stating that money supply growth is a “serious risk” and that if the ECB sees “any indication that the risks to inflation are likely to materialize, we will act.” He also stated that a rate hike would not hurt growth, stating that it “actually could support growth.” Rounding out the hawkish rhetoric were statements by President Trichet, who emphasized that “rates could move at any time” and member Yves Mersch who stated, “We have talked the walk, now we walk the talk”.

Nov. 8th – As ECB hike rhetoric has increased, so has the plea to keep rates unchanged. EU Finance Ministers questioned the ECB's warning of potentially increasing rate, stating that, “In such a situation of low growth, one should proceed with a steady hand.” The European Trade Union Federation also sided against a hike, stating that higher rates would be a “fatal signal” for the economy in its current “fragile state”. The Union also stated that they will make it clear to the ECB that they see no signs that higher oil prices are driving up wages.

Nov. 9th – The German government expects the economy to expand 1% in 2006, less than the 1.2% forecast by Germany's six leading economic institutes. 2005 growth is estimated at 0.8%.

Nov. 3rd – Dieter Hundt, head of the BDA German employer's association stated that moderate wage demands in the past haven't “paid off” and workers now want “clearly higher wages.” He also stated that if the next German government increases VAT, as is currently expected, it would raise the pressure on labor unions “to recoup at least some of the price increases via wages.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	French Industrial Production (SEP)	0.5% M/M	0.8% M/M
11/10	French CPI (OCT)	2.0% Y/Y	2.2% Y/Y
11/10	French GDP (Q3)	0.5% Q/Q	0.1% Q/Q
11/10	Euro Zone OECD Leading Indicator (SEP)	--	106.0
11/14	Spanish GDP (Q3)	--	0.9% Q/Q

Valance Co., Inc.

Valance Economic Report: Japan

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November 9, 2005

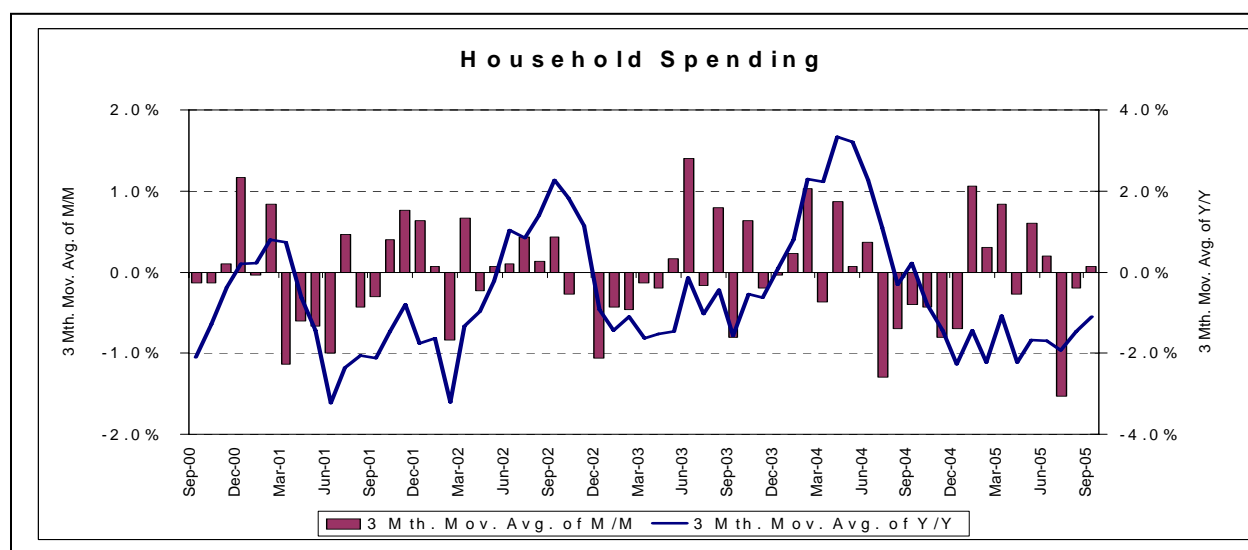
Recent data from Japan suggests resilience in consumer demand as Household Spending improved Y/Y in September. The Leading Economic Index declined to near-neutral in September while Business and Household Confidence both remained optimistic in October.

Weekly Highlights

Household Spending – declined 0.4% M/M and increased 1.0% Y/Y in September. (page 15)

Leading Economic Index – declined from 100% in August to 50.0% in September. (page 17)

Eco Watchers Survey– Current Conditions declined from 51.7 to 50.7 in October. (page 17)

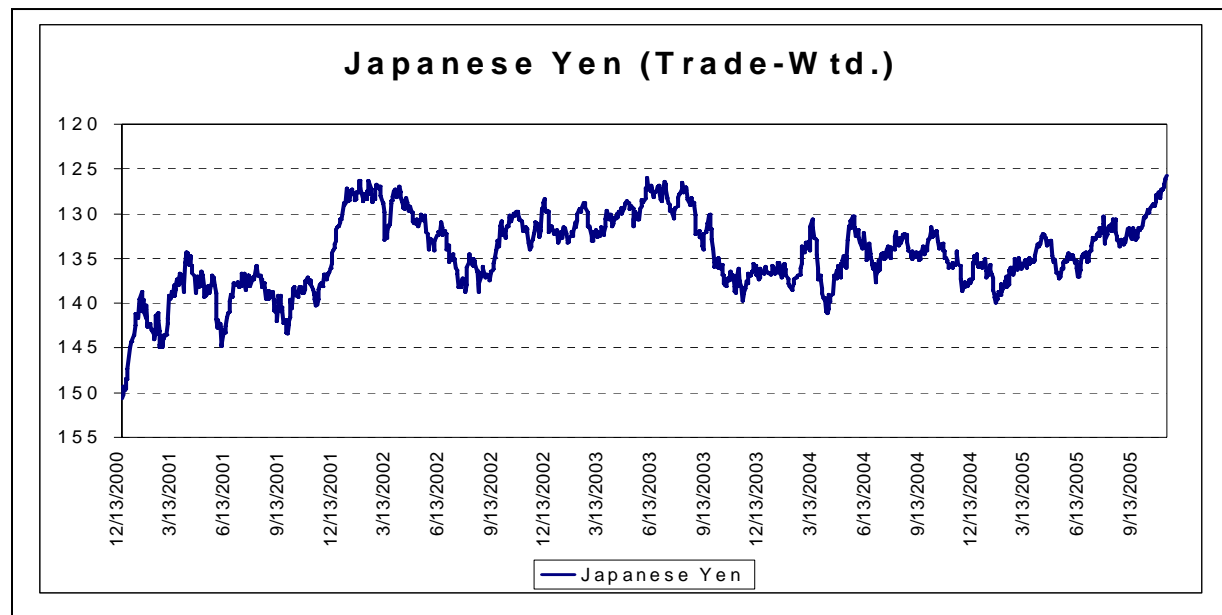
Chart of the Week: Household Spending

Real Household Spending declined 0.4% M/M and increased 1.0% Y/Y in September. This data, despite higher energy prices and recent data indicating that wages fell 0.4% Y/Y in September, was ahead of market expectations for a Y/Y decline of 0.1%, and shows resilience in consumer confidence and demand. It also suggests that trends in growth in the economy may continue as consumers become more optimistic.

Japan's Financial Balances

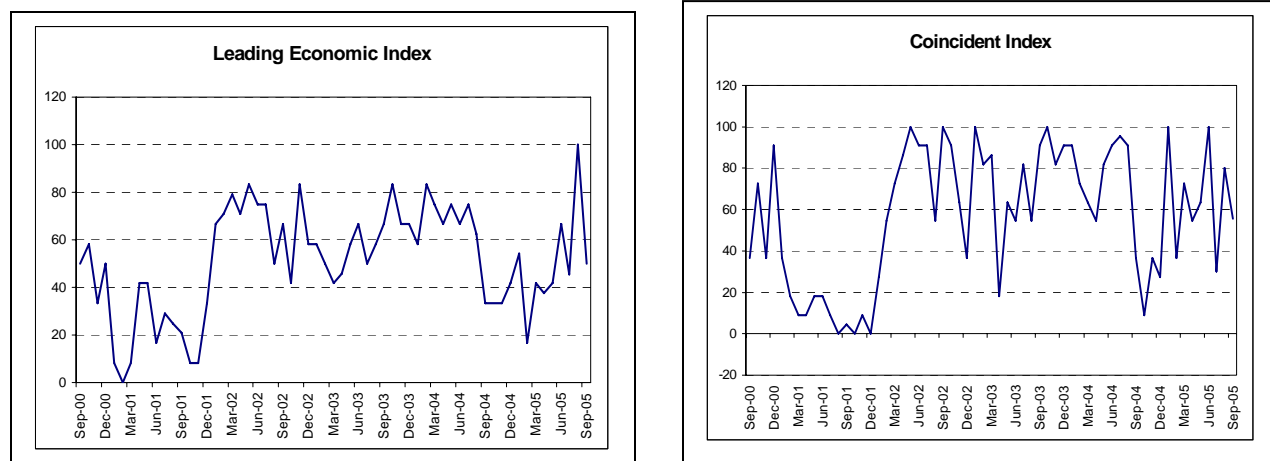
Financial Balances

<i>Japan</i>	<i>Last period (¥trln)</i>	<i>Last 12mth. as a % of GDP</i>
Budget Balance	-3.03 (May)	-6.9%
Trade Balance	0.69 (June)	2.2%
Current Account Balance	1.50 (June)	5.2%
Private Balance	--	12.1%



Leading Economic Index, Coincident Index, Eco Watchers Survey & Bank Lending

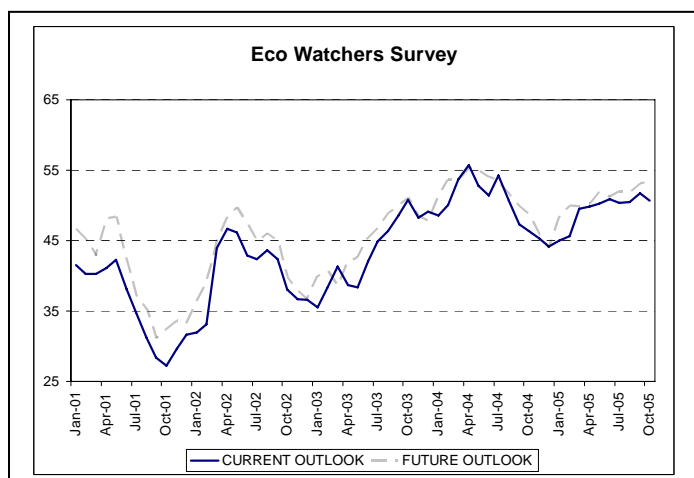
Leading & Coincident Index



Japan's Leading Economic Index declined from 100% in August to 50.0% in September. The Coincident Index declined from 80.0% in August to 55.6% in September. The decline in the index met market expectations as consumer sentiment, new job offers, and producers' final demand, all declined last month. The Nikkei, commodity prices, durable shipments, and housing starts all improved.

Eco Watchers Survey

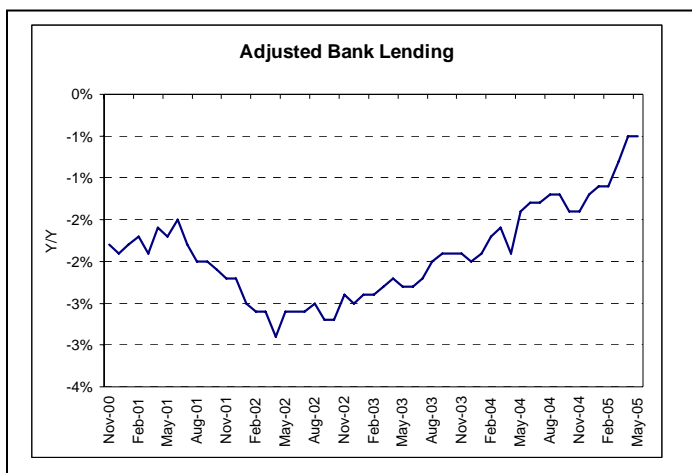
According to the Eco Watchers Survey, conditions declined from 51.7 to 50.7 in October. The Outlook Index increased from 53.1 to 53.4. Although the Current Conditions Index missed expectations for a slight increase to 52.2, October's number remained optimistic for the sixth consecutive month.



Bank Lending, Machine Tool Orders & BoJ News

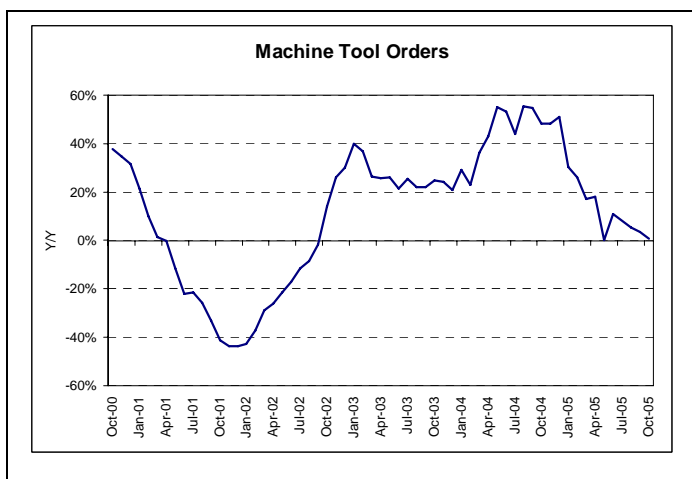
Bank Lending

Bank Lending in Japan declined 0.6% in October on an adjusted basis. Excluding special factors such as securitization and bad-loan write-offs, lending increased 0.9% Y/Y in October, the third consecutive increase. Lending to corporations continued to remain soft as corporations kept their capital spending plans within their cash flow amid higher corporate profits.



Machine Tool Orders

Machine Tool Orders increased 0.8% Y/Y in October.



BoJ's Comments

Nov 2nd –BoJ's Governor Fukui commented that, "Broadly speaking, the economy is going in such a direction (toward monetary policy shift)." However he also mentioned that the BoJ has not yet determined the actions or steps that will be taken to implement such a policy shift. In a Nikkei News article, it was noted that should current economic conditions hold until January, the Japanese economy would have been in an expansionary phase for a full four years.

News

Change in BoJ Policy in Spring '06 “Premature”

In a survey conducted by Teikoku Databank, 42.9% of companies surveyed indicated that ending the current stage of easy monetary policy by Spring 2006 was “premature.” Among large corporations only, 38.9% echoed this view. The data may have come as a surprise to the BoJ, which is currently anticipating a change in policy by late FY2005 or early FY2006. Even if there is a change in policy however, it may be some time before Japan’s overnight rate is increased.

Gov’t Trying to Get Support for Tax Hike

The government announced its intentions to create a frame work that describes its new plan to convert gasoline and other special-purpose taxes into general-purpose funds. The plan, which may be enacted as early as next year, may also give a better picture on the overall state of tax reforms as well as provide additional details on plans to hike the consumption tax.

New Deduction to Keep Low-Income Farmers’ Taxes Unchanged

The government’s Tax Commission decided to recommend that new tax deduction measures be introduced so that low income earners’ tax payments will not be increased due to the planned shift of certain tax collection authority from central to regional governments. The transfer is expected to increase revenue from the local residency tax by roughly 3 trln yen while reducing revenue from the national income tax. Individuals now exempt from paying income taxes will face an effective tax hike if their residential tax is doubled to 10%.

Key Ministers At Odds Over Timing of Sales Tax Hike

Although a consumption tax hike is widely considered necessary to restore fiscal balance and health, its timing has remained in contention. LDP’s Policy Chief, Hidenao Nakagawa, commented that the 2007 submission of tax hike bills would be “premature.” Chief Cabinet Secretary, Shinzo Abe, stated that, “thorough administrative and fiscal reforms, not discussions of the consumption tax, should be carried out first.” Meanwhile, Finance Minister, Sadakazu Tanigaki, proposed a timeline to compile necessary legislation in 2006 and submit it to the Diet the following year. The LDP’s fiscal research group derived a similar plan however, indicating that the timing of the hike is still unknown with party members at odds. Whatever the exact timetable may be, different stances on the reforms suggest how the battle over Koizumi’s successor may pan out: Abe has been calling for administrative and fiscal reforms, in line with Koizumi’s efforts, while Tanigaki aims to gain an edge by showing that he has no fear in tackling imminent tax hike issues.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	Machine Orders (Sep M/M)	-6.1%	8.2%
11/10	Machine Orders (Sep Y/Y)	8.4%	N/A
11/10	GDP (Q3 Q/Q)	0.3%	0.8%
11/10	GDP Annualized (Q3)	1.1%	3.3%
11/10	GDP Deflator (Q3 Q/Q)	-1.1%	-0.9%
11/10	Domestic CGPI (Oct M/M)	0.1%	0.2%
11/10	Domestic CGPI (Oct Y/Y)	1.7%	N/A
11/10	Export Price Index (Oct M/M)	N/A	0.1%
11/10	Export Price Index (Oct Y/Y)	N/A	0.6%
11/10	Import Price Index (Oct M/M)	N/A	1.8%
11/10	Import Price Index (Oct Y/Y)	N/A	13.5%
11/10	Industrial Production (Sep M/M) Final	0.2%	N/A
11/10	Industrial Production (Sep Y/Y) Final	1.0%	N/A
11/10	Capacity Utilization (Sep)	N/A	103.1
11/11	Consumer Confidence (Oct)	N/A	N/A
11/11	Consumer Confidence Households (Oct)	N/A	N/A
11/13	Current Account Total (Sep)	¥1650.0 Bln	¥1215.9 Bln
11/13	Adjusted Current Account Total (Sep)	¥1418.2 Bln	¥1292.2 Bln
11/13	Trade Balance – BoP Basis (Sep)	N/A	¥233.0 Bln
11/13	Leading Economic Index (Sep) Final	N/A	50.0%
11/15	Coincident Index (Sep) Final	N/A	55.6%
11/16-17	BoJ Monetary Policy Meeting	N/A	N/A

Valance Co., Inc.

Valance Economic Report: United Kingdom

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November 9, 2005

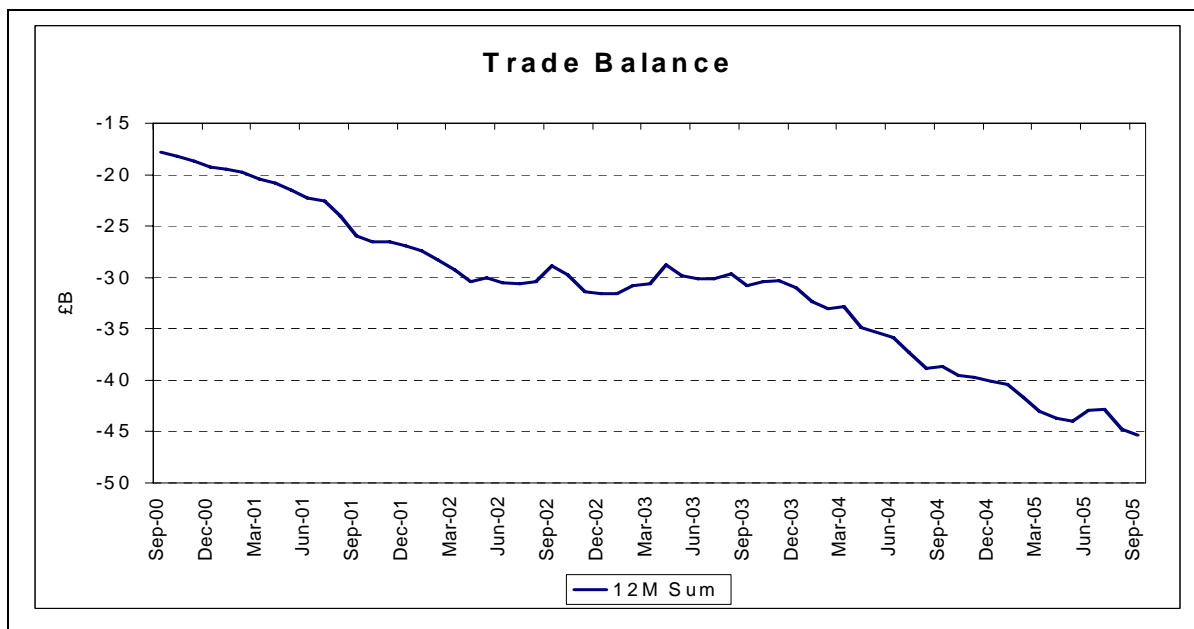
The decrease in the Trade Deficit is being seen as a positive sign for the economy as Gordon Brown is counting on exports and business investment to pick up the slack from consumer spending. Meanwhile, HBOS House Price growth remained flat M/M and Manufacturing Production had its second month of negative growth.

Weekly Highlights

The Trade Deficit- decreased from £5.6 bln to £3.9 bln in September due to increased exports of oil from the North Sea. (page x)

HBOS House Prices- remained flat M/M and increased 4.7% Y/Y in October. (page x)

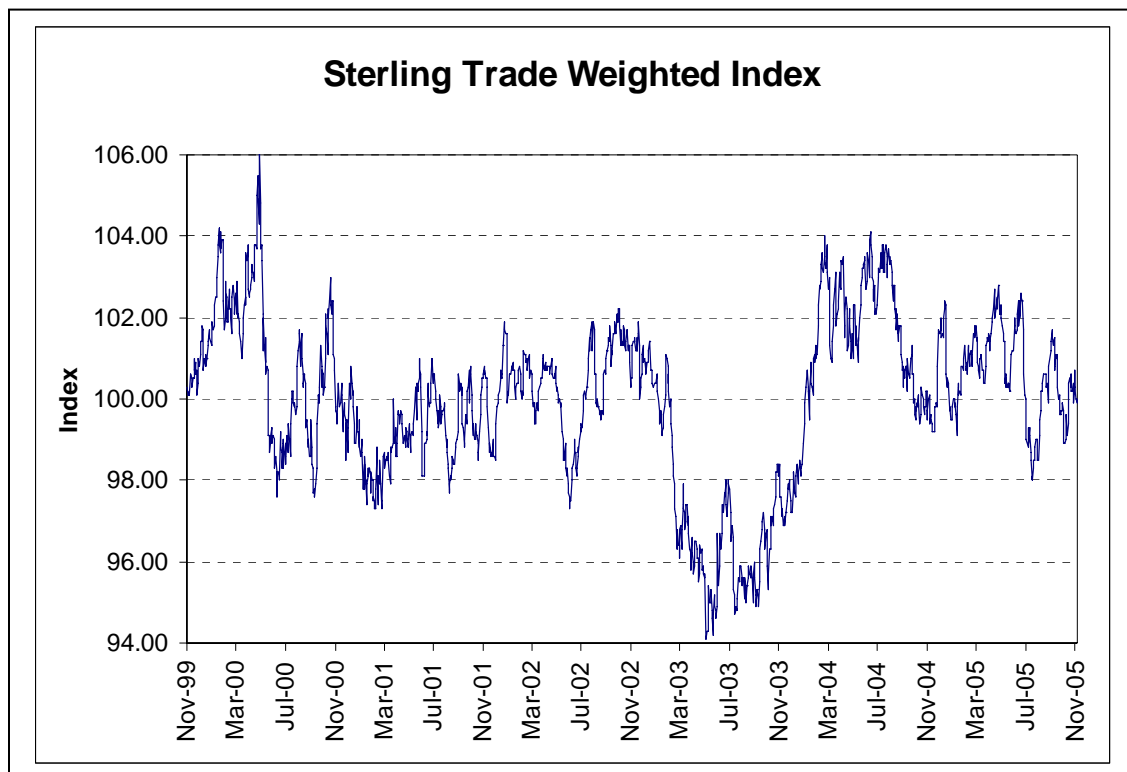
Manufacturing Production- decreased 0.3% M/M and 0.7% Y/Y in September. (page x)

Weekly Releases & News**Chart of the Week: Trade Deficit**

The Trade Deficit decreased from £5.6 bln in August to £3.9 bln in September due to increased exports of oil from the North Sea. However, the UK still imported more oil than it exported for the second consecutive month, something not done since the early 1980's. The shortfall was again due to production shutdowns for maintenance that began in August and a fire in one of the North Sea's oil fields. Total exports increased 6.8% M/M and total imports decreased 0.01% M/M.

Financial Balances & Trade Weighted Index

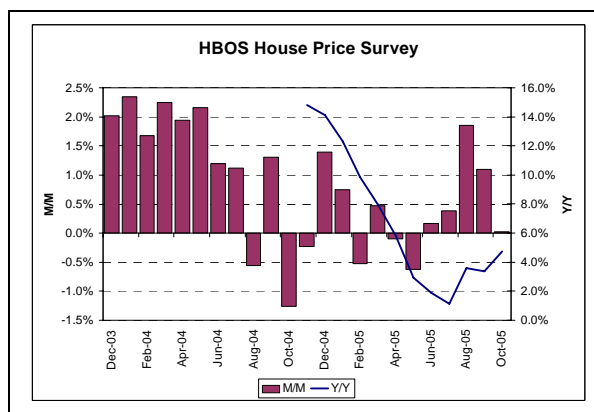
<i>U.K.</i>	<i>Last Period (blns)</i>	<i>Last 12mth. % of GDP</i>
Budget Balance (monthly)	-£5.2 (Sept)	+2.8%
Trade Balance (monthly)	-£3.9 (Sept)	-2.1%
Curr. Acct. Balance (quarterly)	-£3.1 (June)	-1.6%
Private Balance	--	-4.4%



House Prices & Production Growth

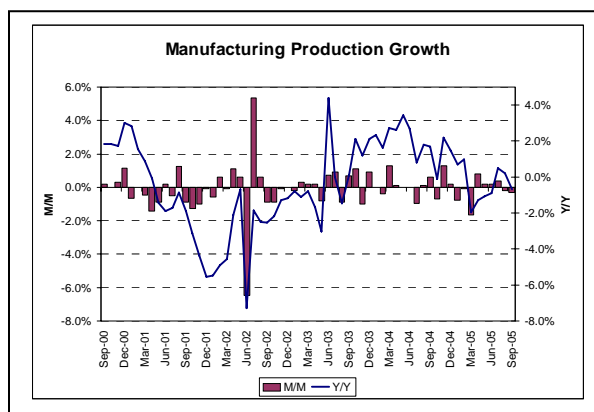
HBOS House Price Survey

HBOS House Prices remained flat M/M and increased 4.7% Y/Y in October after having M/M increases for the last four months. This months stagnant data dampens signs of a sustained recovery following the slight rebound seen in the past few months.



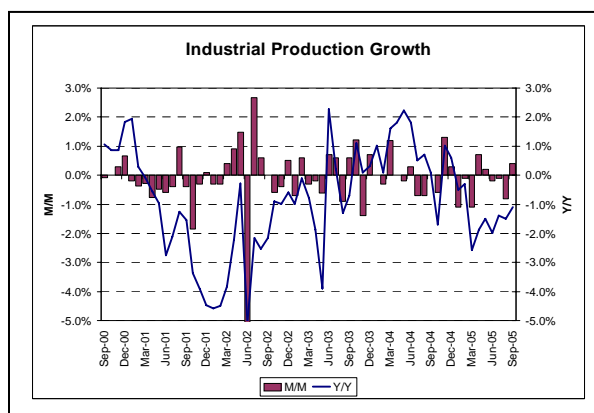
Manufacturing Production Growth

Manufacturing Production decreased 0.3% M/M and 0.7% Y/Y in September, its second consecutive month of decline. The decrease was led by chemicals and man-made fibers which decreased 1.6% M/M, followed by food, drink and tobacco products which decreased 0.6% M/M, and engineering industries which decreased 0.3% M/M.



Industrial Production Growth

Industrial Production, which excludes mining and quarrying, increased 0.4% M/M and decreased 1.1% Y/Y in September.



Data & Comments

Data

NIESR GDP Estimate

NIESR estimates that GDP increased 0.4% in the three months through October, the same rate as the three months through September. NIESR predicts growth of 1.7% for 2005, compared to 3.2% in 2004.

BRC Retail Sales

The British Retail Consortium (BRC) reported that retail sales decreased 0.7% 3M/M and 0.2% Y/Y in October. Y/Y growth has been in negative territory for eight of the last ten months.

BRC Shop Price Index

The British Retail Consortium (BRC) reported that shop prices decreased 1.0% M/M and 0.04% Y/Y in October.

Nationwide Consumer Confidence

Nationwide Consumer Confidence decreased from +94 to +92 in October, its lowest level in eighteen months. Nationwide cites stagnating property prices, higher energy costs and rising unemployment for the decline in confidence. People's expectations for the direction of the economy for the next six months remained at +91 for a second month. Confidence in current conditions decreased from +98 to +93. People's willingness to make major purchases increased from +112 to +115.

PMI Services

CIPS Services PMI increased from 55.0 to 56.1 in October mainly due to new businesses increasing from 55.3 to 55.9.

	Oct. 2005	Sept. 2005
Overall Index	56.1	55.0
New Business	55.9	55.3
Outstanding Business	50.3	50.4
Employment	51.9	51.8
Prices Charged	52.2	52.1
Input Prices	59.2	61.2
Business Expectations	72.0	74.8

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/14	Input Producer Prices	--	0.3% M/M 10.0% Y/Y
11/14	Output Producer Prices	--	0.7% M/M 3.3% Y/Y
11/14	RICS House Price Survey	-18	-21
11/15	CPI	--	0.2% M/M 2.5% Y/Y
11/15	Leading Indicator	--	0.1% M/M
11/15	Coincident Indicator	--	0.1% M/M
11/16	Claimant Count	--	2.8%
11/16	Average Earnings	--	4.1% Y/Y
11/16	ILO Unemployment	--	4.8% Q/Q
11/16	Inflation Report	--	--

Valance Co., Inc.

Valance Economic Report: *Canada*

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November 9, 2005

This week's report is highlighted by strong employment gains, coupled with a 30 year low Unemployment Rate.

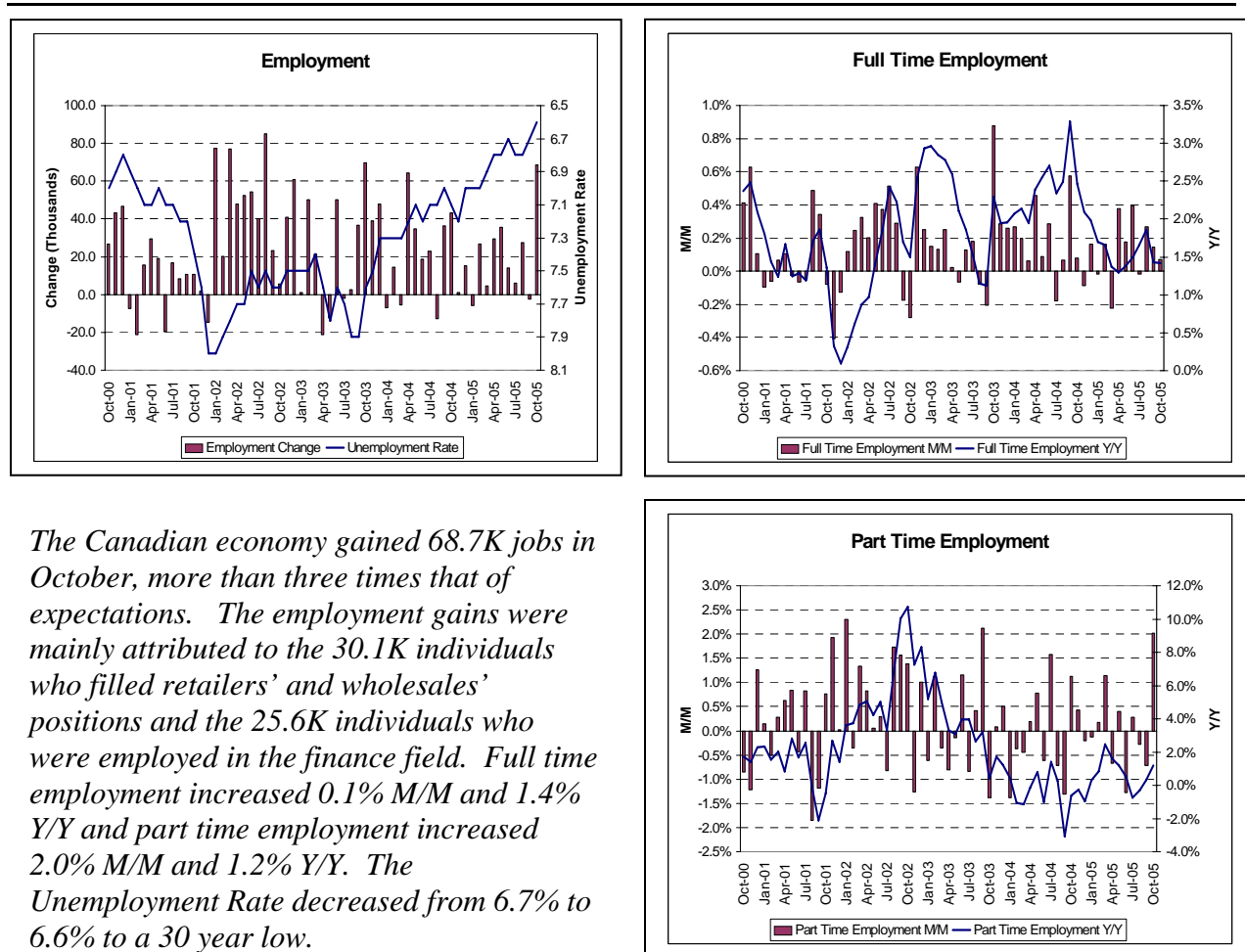
Weekly Highlights

The Canadian economy - gained 68.7K Jobs in October. (page 26)

The Ivey Purchasing Manager's (IPM) Index - decreased from 67.3 in September to 64.8 in October. (page 29)

Weekly Releases & News

Charts of the Week: *Employment*



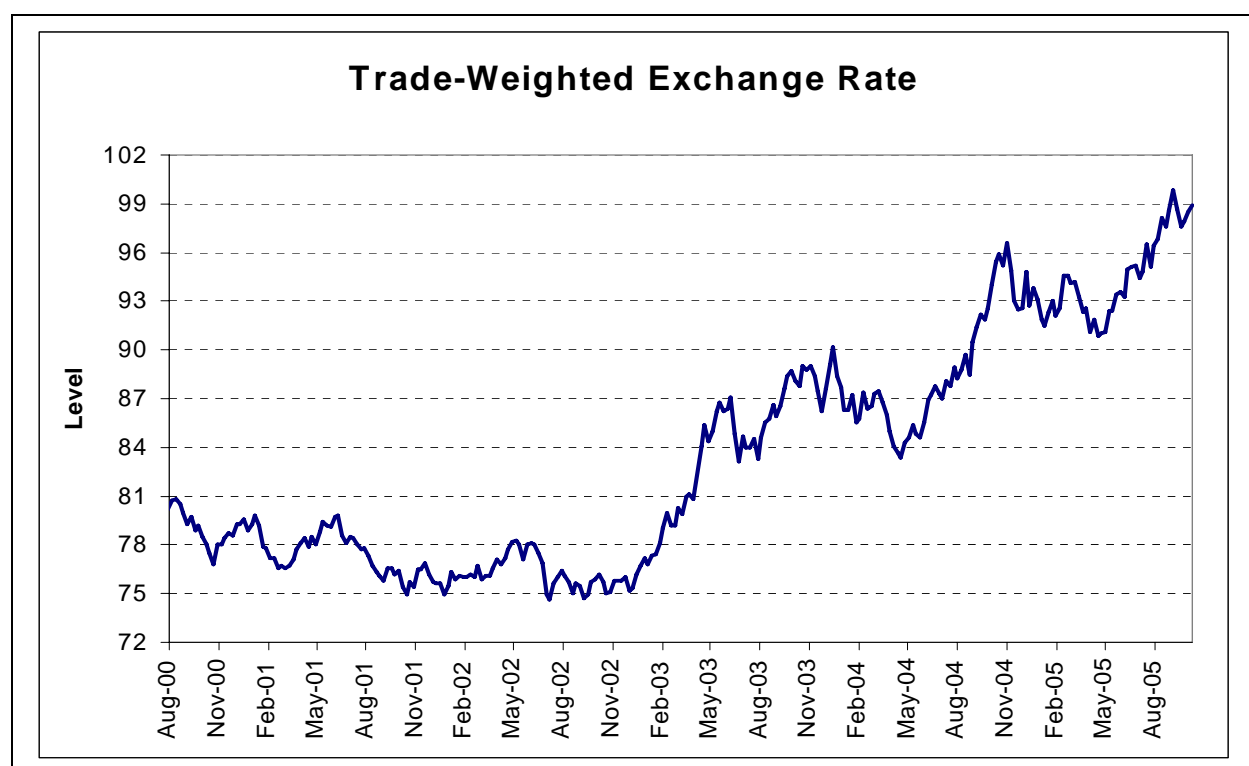
The Canadian economy gained 68.7K jobs in October, more than three times that of expectations. The employment gains were mainly attributed to the 30.1K individuals who filled retailers' and wholesales' positions and the 25.6K individuals who were employed in the finance field. Full time employment increased 0.1% M/M and 1.4% Y/Y and part time employment increased 2.0% M/M and 1.2% Y/Y. The Unemployment Rate decreased from 6.7% to 6.6% to a 30 year low.

Financial Balances & Trade Weighted Exchange Rate

Financial Balances

<i>Canada</i>	<i>Latest period (C\$bbln)</i>	<i>% of GDP</i>
Budget Balance	1.7 (June)	.2%
Trade Balance	4.9 (June)	4.9%
Current Account Balance	4.7 (Q2)	2.2%
Private Balance	--	2.0%

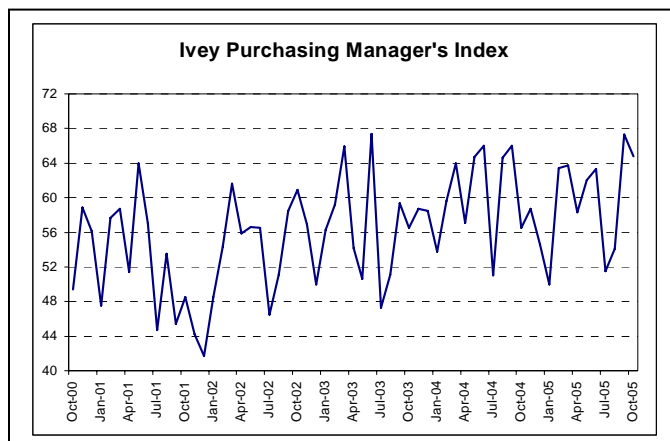
Trade-Weighted Exchange Rate



Ivey PMI, Building Permits & Housing Starts

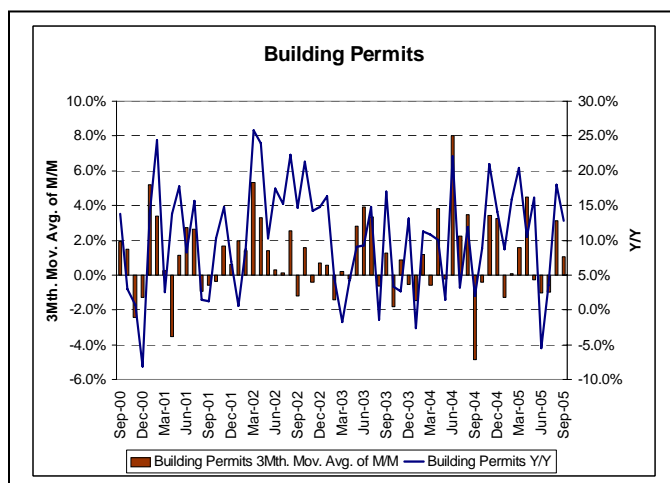
Ivey Purchasing Managers Index

The Ivey Purchasing Manager's (IPM) Index decreased from 67.3 in September to 64.8 in October, but was above expectations for a reading of 58.0. The Price Index remained elevated at 73.3. The IPM remained above the expansion level for the 27th consecutive month.



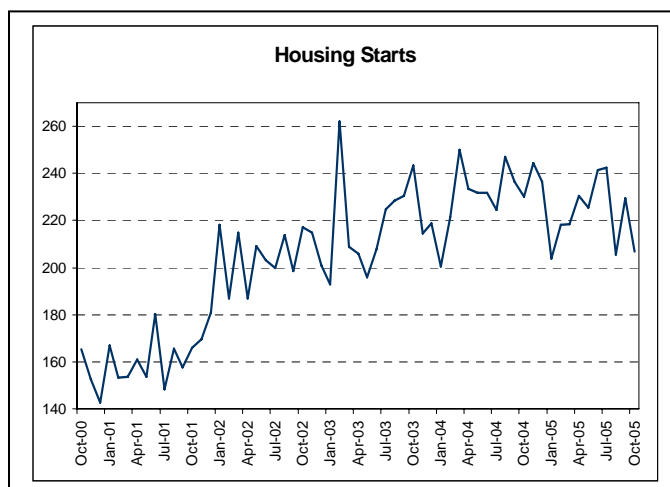
Building Permits

Building Permits decreased 5.3% M/M and increased 12.8% Y/Y in September, after increasing 10.2% M/M to reach its highest level on record in August. The increase in permits for the housing sector was insufficient to offset the decrease in non-residential building permits.



Housing Starts

Housing Starts decreased 10.0% M/M and 10.1% Y/Y in October, above expectations. New construction for both single and multiple family homes decreased.



News & Upcoming Dates

News

Nov. 7th The Canadian Economy at Capacity - The Bank of Canada's Governor, David Dodge, commented that Canada's economy will remain at full capacity for a while and that high energy prices could create an immediate risk of inflation. The Bank has raised interest rates at its two previous meetings and is expected to continue hiking for some time.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	New House Price Index (M/M) (SEP)	0.4%	0.4%
11/10	Int'l Merchandise Trade (SEP)	C\$6.0	C\$5.6
11/14	New Motor Vehicle Sales (M/M) (SEP)	-8.0%	-7.9%
11/15	Manufacturing Shipments (M/M) (SEP)	0.6%	3.3%

Valance Co., Inc.

Valance Economic Report: Australia

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November 9, 2005

This week's data was mixed. The RBA has put the possibility of interest rates hike back on the agenda as inflation has accelerated. Retail sales had the largest drop in five months and exports declined in September reinforcing expectations that the RBA will keep interest rates unchanged next month. By the same token, Consumer Confidence increased considerably in November.

Weekly Highlights

Retail Sales – fell 0.3% M/M and rose 2.4% Y/Y in September. (page 30)

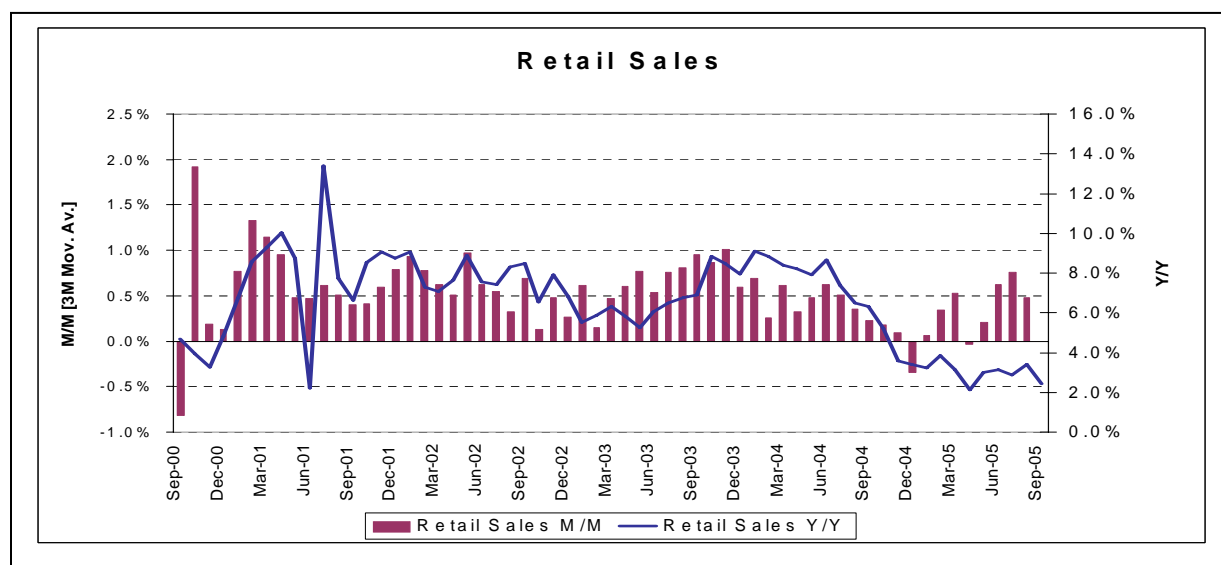
Trade Deficit – widened from a revised 1.46bln in August to 1.61bln in September. (page 31)

ANZ Job Advertisements – rose 1.7% M/M and declined 6.3% Y/Y in October. (page 31)

RBA's quarterly MPS – RBA expects a modest increase in underlying inflation. (page 32)

Weekly Releases & News

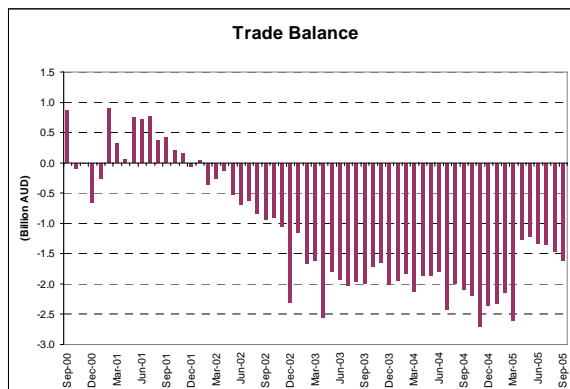
Chart of the Week: *Retail Sales*



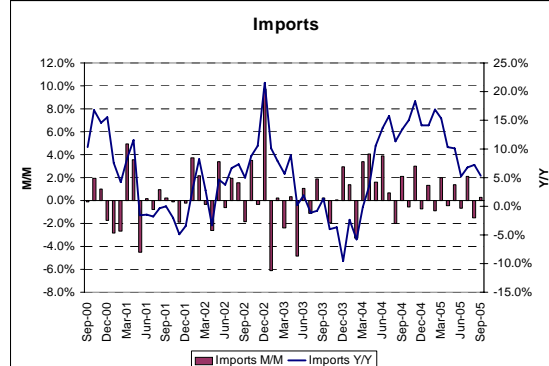
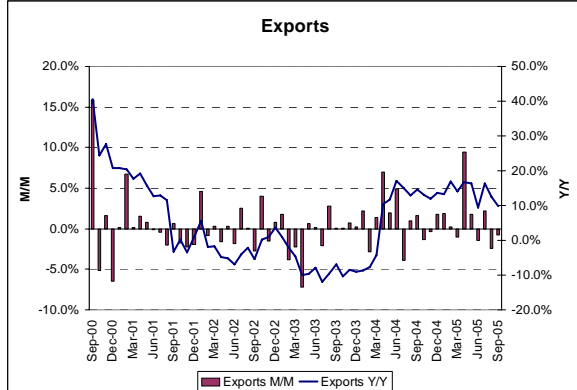
Retail Sales dropped 0.3% M/M in September from a revised 0.5% increase (prior 0.6%) in August and rose 2.4% Y/Y. It was a largest decline in 5 months reinforcing expectations the RBA will keep interest rates unchanged next month.

Trade Deficit, Exports, Imports & ANZ Job Advertisements

Australia's Trade Deficit unexpectedly widened to A\$ 1.62bln in September from a revised A\$ 1.46bln in August (previously A\$1.64bln). Exports fell 0.8% M/M and rose 9.8% Y/Y. Imports rose 0.3% M/M and 5.4% Y/Y in September. It represents 44 straight months of trade deficits.

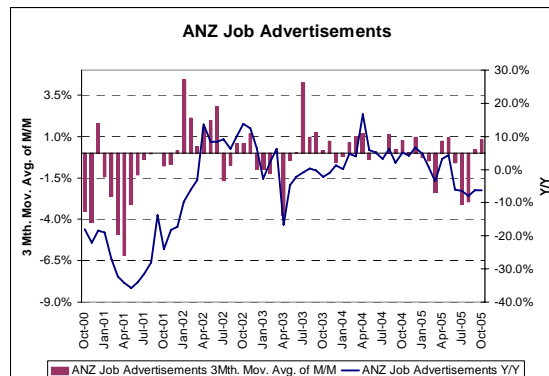


Exports & Imports



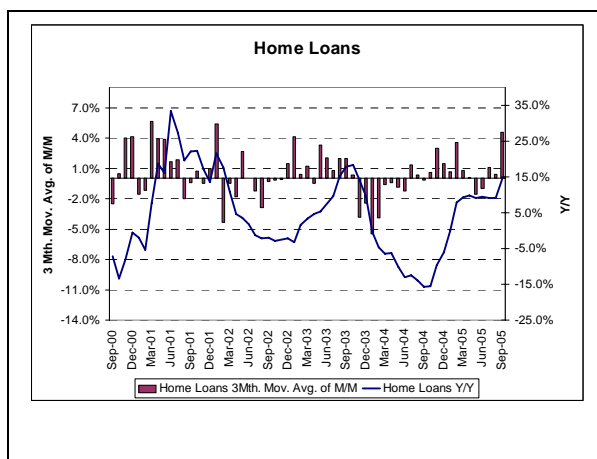
ANZ Job Advertisements

The number of jobs advertised in Australian newspapers rose 1.7% M/M and fell 6.3% Y/Y in October.



Home Loans, Consumer Confidence & News

The number of loans granted to owner-occupiers to build or buy homes and apartments rose 4.6% M/M and 14.3% Y/Y in September as rising wages and employment spurred borrowing demand.



RBA's Quarterly Monetary Policy Statement

The statement suggests that the RBA is once again looking to move rates, which it last lifted in March by 25 basis points to 5.5%. The key sentences read as follows:

"The board recognizes that, with inflation likely to be close to 3% for some time, policy will need to be responsive to any sign that demand and inflation pressures are stronger than currently expected."

"One risk to the inflation outlook is that there could be no easing in labor-market conditions and hence further upward pressure on wages and other labor costs."

"We have to be vigilant. If businesses try to get price rises off the back of petrol increases, then that would increase inflation."

Westpac Consumer Confidence Index

The Westpac index of consumer sentiment rose sharply by 9.0% to 107.6 in November from 98.4 in October. The index declined 1.6% in October and 13.4% in September. A reading above 100 indicates that optimists outnumbered the pessimists.

The National Australia Bank (NAB) business survey

The latest business survey by the NAB (November 8th) has revealed a decline in business conditions during October 2005. The report claims that wages increased at levels similar to those witnessed in recent months. However, business conditions fell to their weakest level in 3.5 years. NAB economist, Alan Oster, says the survey is indicative of further weakening in underlying domestic demand.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/09	Unemployment Rate (OCT)	---	5.1%
11/15	Westpac Leading Index (OCT)	---	---

Valance Co., Inc.

Weekly Economic Report: **China**

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November 9, 2005

No economic data was released this week.

News Releases

November 9th – Money Supply Expectations – The PBoC expects China's Money Supply to expand 17.0% in 2005. Separately, a Bloomberg survey of 20 economists showed that China's M2 Money Supply probably rose to 17.6% M/M in October, exceeding the PBoC's 15.0% target for the fifth consecutive month.

November 8th – PBoC Promises to Push Forward Yuan Reform – The PBoC promises to keep its exchange rate at a "reasonable and balanced rate" while pushing forward reform. The Bank said: "We will implement the reform of the exchange rate mechanism gradually, establish a market-oriented, managed floating exchange rate system and maintain the basic stability of the RMB at a reasonable and balanced level." Others still feel that China is not doing enough to improve this situation:

- **Nov. 8th – US Treasury Secretary, John Snow**, remarked that the U.S. is still pressuring China to adopt a more flexible currency. Snow stated, "Our main issues with China are intellectual property rights, counterfeiting, making sure WTO rules are enforced and moving to a more flexible currency regime."
- **Nov. 4th - ECB Chief Economist, Otmar Issing**, stated that, "It remains to be seen whether this reform will, over the medium term, allow for any significant revaluation of the renminbi, which remains substantially undervalued."
- **Nov. 4th – PBoC Governor, Zhou Xiaochuan**, commented that China's economy is at a place where it can survive a more flexible currency. He indicated that "good labor flexibility will last for a long time."
- **Nov. 3rd – World Bank Economist, Homi Kharas**, echoed the sentiments of others by stating that China should have a more flexible yuan.

November 8th – Real Estate Prices Increased in October – A survey by the National Development and Reform Commission showed that real estate and new house prices in China grew from 5.5% Y/Y and 6.2% Y/Y in September to 6.6% Y/Y and 7.2% in October, respectively.

November 8th – Trade Surplus Probably Widened in October – A Bloomberg survey showed that China's Trade Surplus may have widened last month as retailers bought more toys and electronics in view of Christmas. According to 21 economists surveyed, the surplus probably widened from \$7.57 bln in September to \$9.66 bln in October.

November 8th – CPI May Have Risen 1.2% in October - Shanghai Securities News reported that China's inflation may have risen from 0.9% Y/Y to 1.2% Y/Y in October, below the government's target of 4.0% this year. The official data is forthcoming.

News Releases (cont'd.)

November 8th – U.S. & China Reach Agreement - The United States and China have finally come to an agreement regarding an ongoing trade dispute, after meeting for the seventh time. The agreement entails a gradual increase of items in 34 categories to be shipped to the U.S. The growth breakdown is as follows:

- 10% for apparels and 12.5% for textiles in 2006
- 12.5% growth of all imports in 2007, with the exception of fiberglass and thread products
- 15% growth of imports in 2008, such as cotton shirts, pants, bras, and underwear; thread, fiberglass, knit fabric and window blinds will grow by 17% and all others by 16%

U.S. Trade Representative, Rob Portman, remarked, “I believe the textile trade agreement shows our ability to resolve tough trade disputes in a manner that benefits both countries.”

November 4th – World Bank Revised Its 2005-2006 Growth Forecast – The World Bank announced that it has revised its economic growth forecast for 2005 to 9.3%, following previous predictions of 9% in August and 8.3% in April. The 2006 forecast was also revised up from 7.9% to 8.7%. The increase is attributed to China’s strong domestic demand and surging exports.

November 3rd – Report Shows China’s Economy to Maintain 9% Growth – A report from the Development Research Center of China’s State Council showed that China’s economy will grow by 9.0% in the next two years. The growth is expected to be driven by consumer spending and fixed asset investment.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/09-10	Ttl Export / Import (Ind) Y/Y - Oct	27.5% / 24.0%	25.9% / 23.5%
11/09-10	Money Supply – M0 / M1 / M2	-- / -- / 17.60%	8.5% / 11.60% / 17.90%
11/09-10	Household Savings - Oct	--	13.63T
11/09-10	Foreign Exchange Reserves - Oct	--	769.00B
11/09-10	Wholesale Prices (Y/Y) – Oct	--	1.4%
11/09-10	Contract / Actual FDI Cumulative (Y/Y) – Oct	--	21.81% / -2.11%
11/09-10	Leading, Coincident, Lagging Indices - Sep	--	102.9 / 100.7 / 92.9
11/10	CPI (Y/Y) - Oct	1.1%	0.9%
11/13-18	Real Estate Climate Index - Oct	--	101.57
11/13-18	Property Prices Accumu (Y/Y) - Oct	--	--
11/13	Retail Sales Value Ind / Accumu (Y/Y) – Oct	12.9% / --	12.7% / 13.0%
11/14	Value Added Industry (Y/Y) / Current - Oct	16.3% / --	16.5% / 672.50B
11/15	Fixed Assets Inv Urb Cum (Y/Y) - Oct	27.8%	27.7%

Valance Co., Inc.

Valance Economic Report: Sweden

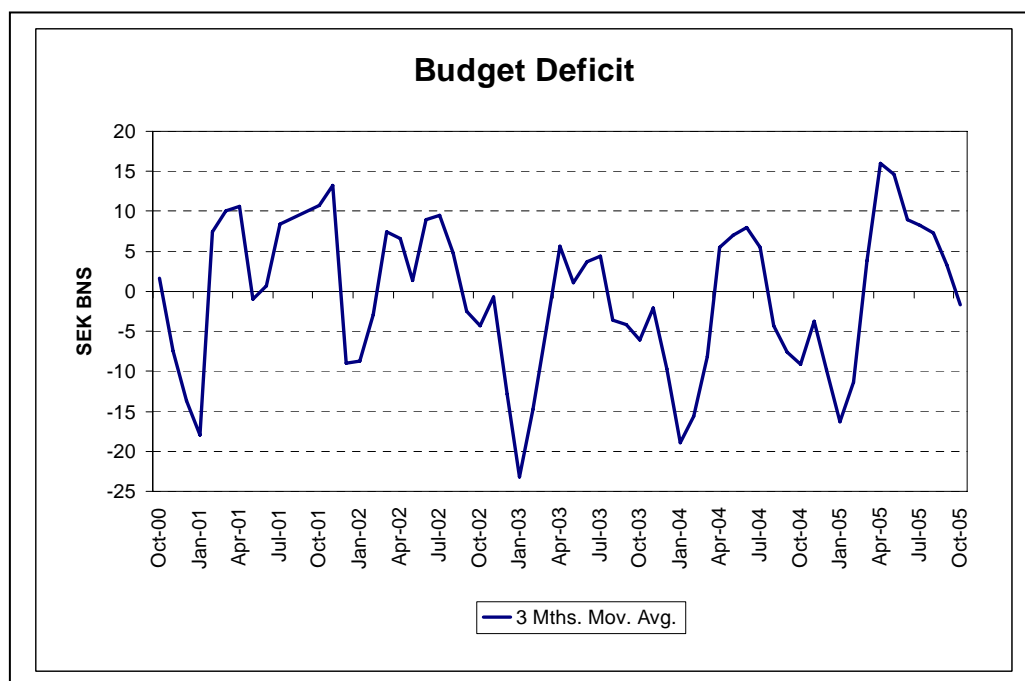
Evelyn L. Richards

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November 9, 2005

A smaller-than-expected Budget Deficit was the highlight of this week's Swedish data. In addition, Sweden's AMS Unemployment Rate remained unchanged from September to October. The government continues to expect the economy to expand 2.4% in 2005 and 3.1% next year.

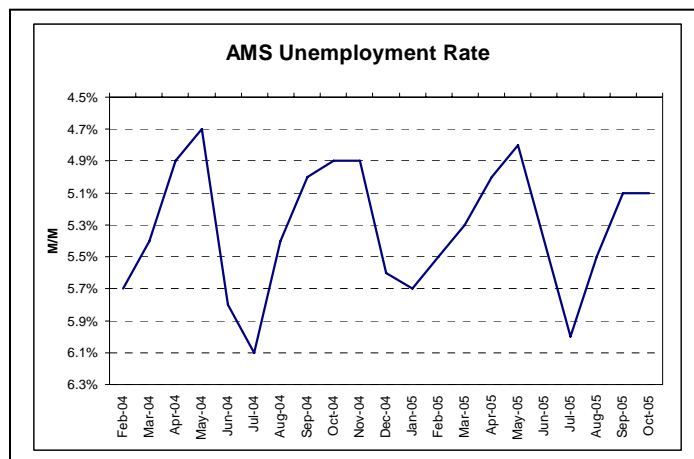
Weekly Releases & News**Chart of the Week: Swedish Budget Deficit**

Sweden experienced a budget deficit of SEK 4.0 bln in October. The smaller-than-expected deficit was partially attributed to lower-than-expected government spending. Expectations were for a SEK 5.5 bln deficit.

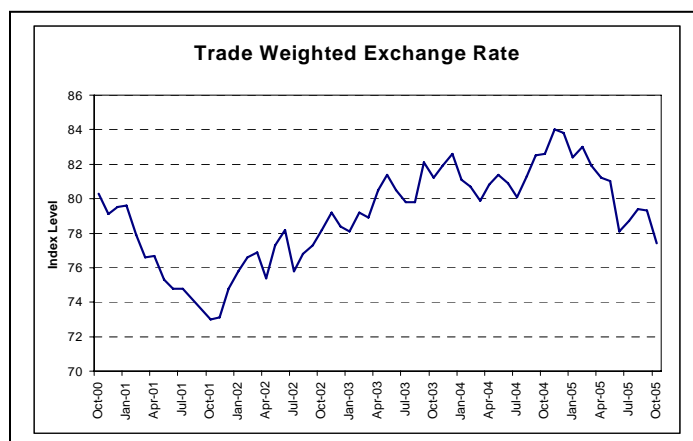
AMS Unemployment Rate & Trade Weighted Exchange Rate

AMS Unemployment Rate

The Labor Board's un-official Unemployment Rate remained unchanged from September to October at 5.1%. A total of 228K Swedes were unemployed (a decrease of 9K from the month before). There were 51K individuals that found jobs, while 3.8K were laid-off and 130K took part in retraining programs last month. The job market still remains a little sluggish despite an increase in demand for labor. This could be attributed to companies who continue to move to low cost areas.



Trade Weighted Exchange Rate



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	Industrial Production s.a. (M/M) / n.s.a. (Y/Y) – Sep	1.2% / 1.2%	-4.4% / -4.0%
11/10	Industrial Orders s.a. (M/M) / n.s.a. (Y/Y) - Sep	--	2.4% / 15.5%
11/10	Activity Index Level – Sep	--	112.2
11/11	CPI – Headline Rate - M/M / Y/Y - Oct	0.1% / 0.5%	0.7% / 0.6%
11/11	CPI – Underlying Inflation - M/M / Y/Y - Oct	0.1% / 0.8%	0.7% / 1.0%

Valance Co., Inc.

Valance Economic Report: Switzerland

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November 9, 2005

A slight Y/Y slowdown in inflation was the highlight of this week's Swiss data. Switzerland's CPI and Core CPI both rose 0.9% M/M in October, while Core Y/Y growth slowed to 1.3%. Meanwhile, the Unemployment Rate fell for the first time in a year. In other news, SNB President, Jean-Pierre Roth, commented that interest rates should be normalized as Switzerland's economy normalizes.

Weekly Highlights

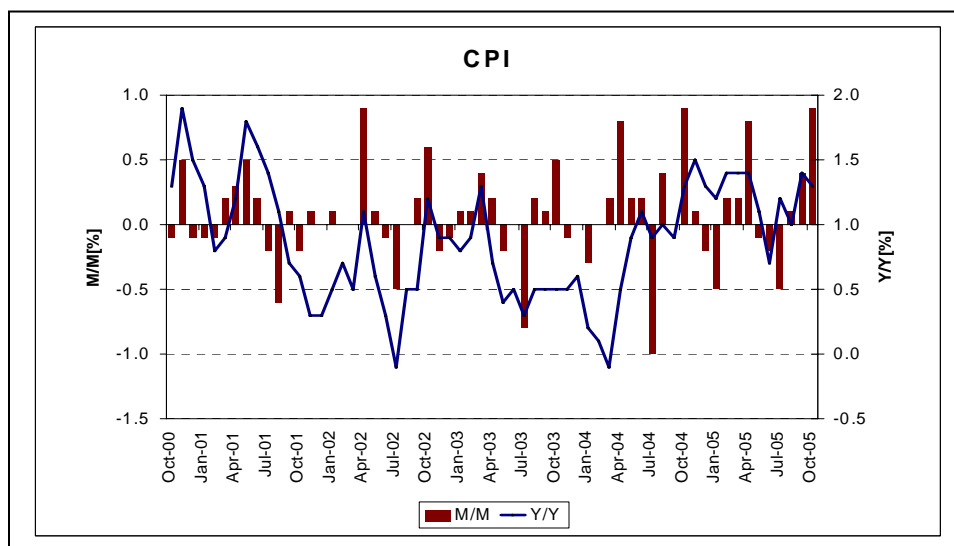
CPI – rose 0.9% M/M, but slowed to 1.3% Y/Y in October. (page 40)

Core CPI - rose 0.9% M/M and 0.4% Y/Y in August. (page 40)

Unemployment Rate - fell to 3.7% in October from 3.8% in September. (page 41)

Weekly Releases & News

Chart of the Week: CPI

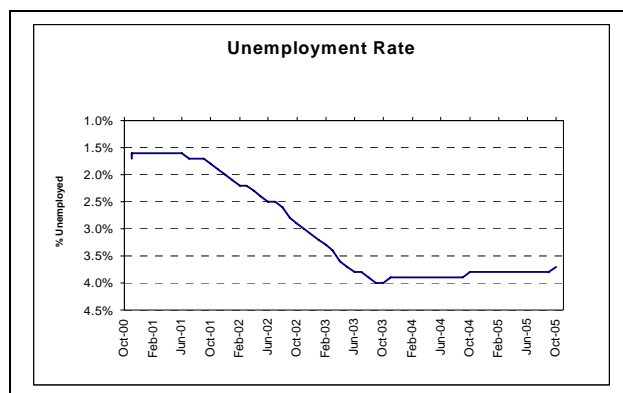


Swiss Consumer Prices rose from 0.4% M/M in September to 0.9% M/M in October. Conversely, the Y/Y growth slowed from 1.4% in September to 1.3% Y/Y in October. The Y/Y decline could be attributed to an end in retail sales and increasing oil prices. Expectations were for a 0.6% M/M and 1.0% Y/Y gain. Core CPI rose from 0.0% M/M and 0.3% Y/Y in September to 0.9% M/M and 0.4% Y/Y in October.

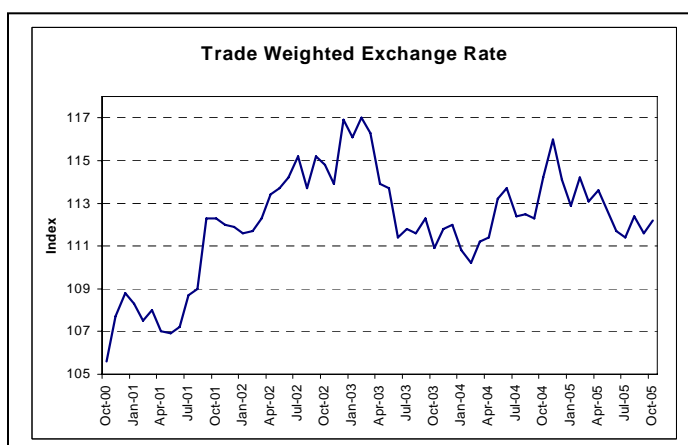
Unemployment Rate & Trade Weighted Exchange Rate

Unemployment Rate

The Unemployment Rate fell from 3.8% in September to 3.7% in October for the first time in a year. The decline was partly attributed to more persons being hired as a result of increased demand for labor. A total of 148K Swedes were jobless in October (a decrease of 1.4K from the month before). There were 213K individuals actively seeking employment, while there were only 8.9K available jobs last month. The job market is showing improvement as Switzerland's export-driven economy is expanding.



Trade Weighted Exchange Rate



News Releases & Upcoming Dates

News Releases

October 28th – Jean-Pierre Roth, SNB President, Comments on Interest Rates - In an interview with Finanz & Wirtschaft, Swiss National Bank President, Jean-Pierre Roth, made the following remarks:

“The economy will normalize, therefore we must also normalize the interest-rate level.” Roth also added that Switzerland was in “a comfortable situation. But it would be hazardous to assert that it is so comfortable that we don't need to act.” In reference to the Bank’s expectations that inflation will be at a low level, Roth stated “we are still far removed from full employment.”

On growth outlook: “Since the summer holidays, the picture has clearly improved. The recovery from the cooling-off we had at the end of 2004 is coming on faster and more broadly than we thought.” “It's also clear it's broadly supported. It's not just coming from exports, but also from construction and consumption.”

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
11/10	SECO Consumer Climate – Oct	-10	-15
11/11-18	Adjusted Real Retail Sales (Y/Y) – Sep	--	4.7%
11/15-21	Producer & Import Prices – M/M / Y/Y – Oct	--	0.7% / 1.5%